

CITY OF FORT LAUDERDALE, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 1997

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Fort Lauderdale, Florida (the City) have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental units. The following is a summary of the more significant accounting policies of the City:

- (A) The Financial Reporting Entity - The City was incorporated in 1911, covers an area of approximately 33 square miles and is the county seat of Broward County, Florida. The City is governed by an elected five member commission composed of a Mayor and four District Commissioners and provides services to its approximately 150,000 residents in many areas, including law enforcement, community enrichment and development and various human services. As required by GAAP, these financial statements present the City of Fort Lauderdale (the primary government) and its component units. The component units discussed in note 1(B) below are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.
- (B) Individual Component Unit Disclosure - The criteria used for including component units consists of identification of legally separate organizations for which the elected officials of the City are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

The Fort Lauderdale Community Redevelopment Agency (CRA) is governed by a five member board appointed by the City Commission (currently composed of the City Commission, itself). Although it is legally separate from the City, the CRA is reported as part of the primary government because its sole purpose is to finance and redevelop the City's designated redevelopment areas. The CRA is reported within the special revenue fund type using the blended method. Separate financial information for the CRA can be obtained from the City's Planning and Economic Development Department.

The Sunrise Key Safe Neighborhood Improvement District (SK) is governed by a seven member board appointed by the City Commission. While legally separate from the City, SK is reported as part of the reporting entity under the discretely presented method because the City's elected officials are financially accountable for

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the SK. The City Commission has the power to approve, disapprove or modify the budget and millage rates or assessments submitted by the board. Separate financial information can be obtained from the District.

- (C) Related Organizations - The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not significantly extend beyond making the appointments.

The City Commission appoints the governing board of the City of Fort Lauderdale Downtown Development Authority (DDA) and the Housing Authority of the City of Fort Lauderdale (HA). The City is not financially accountable for either the DDA or HA.

- (D) Joint Ventures - The City is a participant with the Performing Arts Center Authority (PACA) and the DDA in a joint venture to own and operate the 950 space Arts and Science District Parking Garage. The City has an ongoing financial interest in this joint venture which is discussed in note 7.
- (E) Basis of Presentation - The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, equities, revenues and expenditures or expenses. The various funds are grouped by type in the financial statements. The following fund types and account groups are used by the City:

#### GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of changes in financial position, rather than net income. The following are the City's governmental fund types:

General Fund - The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects)

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requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Funds - Debt service funds are used to account for the annual payment of principal, interest and other expenditures on general long-term debt, other than bonds payable from the operations of the enterprise funds.

Capital Projects Funds - Capital projects funds are used to account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by enterprise operations.

PROPRIETARY FUND TYPES

Proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is on determination of net income. The following are the City's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for operations that provide a service to citizens, financed primarily by a user charge, and where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City or to other governmental units.

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds. The following are the City's fiduciary fund types:

Trust and Agency Funds - Trust and agency funds are used to account for assets held in trust or as an agent by the City for others. The City has two types of trust funds: nonexpendable and pension. Nonexpendable and pension trust funds are accounted for and reported with the proprietary funds. Agency funds are custodial in nature and do not involve measurement of net income.

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ACCOUNT GROUPS

Account groups are used to establish accounting controls and accountability for the City's general fixed assets and its general long-term debt. The City's account groups are further described below:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the City, other than those accounted for in the enterprise, internal service and pension trust funds.

General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the City except that accounted for in the enterprise funds.

COMPARATIVE TOTAL DATA

Comparative total data are the aggregate of the fund types, account groups and the discretely presented component unit. No consolidating or other eliminations were made in arriving at the totals; thus, they do not present consolidated financial information and are labeled as "memorandum only".

Total data for the prior year have been presented in the accompanying combined financial statements in order to provide an understanding of changes in the City's financial position and operations and have been restated to reflect the reporting of investments at fair value in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (see note 3).

- (F) Basis of Accounting - The modified accrual basis of accounting is followed by the governmental and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, i.e., measurable and available to finance the City's operations. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the related fund liabilities are incurred, if measurable, except for interest on long-term debt and the long-term portion of accumulated compensated absences and longevity pay, which are recognized when due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts

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will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if susceptible to accrual.

The major utility and franchise taxes are recorded as revenues when earned. Licenses and permits, fines and forfeitures, charges for services, and other revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Property taxes are recorded as revenues in the fiscal year levied, provided they are collected in the current period or within sixty days thereafter. Those remaining uncollected are recorded as deferred revenues. Investment income is recorded as revenue when earned. Special assessments are recorded as revenues only to the extent that individual installments are considered available.

The accrual basis of accounting is utilized by proprietary funds and pension and nonexpendable trust funds. Unbilled service receivables have been accrued in the proprietary funds.

(G) Budgetary Data - The City Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to September 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted.
- (3) Prior to October 1, the budget is legally enacted.
- (4) The level of control (level at which expenditures may not exceed budget) is the department. The City Manager is authorized to transfer budgeted amounts within departments of any fund. Any revisions that alter the total expenditures of any department must be approved by the City Commission. Unencumbered balances of appropriations lapse at year end.
- (5) Budgets have been adopted for all governmental and proprietary funds except the Law Enforcement Confiscated Property Special Revenue Fund and the capital project funds. The budgets have been adopted on a basis consistent with generally accepted accounting principles with the following exceptions: Advances from other funds are presented as revenues, and encumbrances,

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advances to other funds and principal on long-term debt of the proprietary funds are presented as expenditures or expenses (see note 2 for further disclosure).

The reported budgetary data represents the final approved budget after amendments adopted by the City Commission with one exception. Budgets for grants and shared revenues from other governmental units which do not lapse at year end are only reported to the extent of revenues recognized and expenditures incurred for the current year. Individual amendments were not material in relation to the original adopted budget.

- (H) Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities.
- (I) Cash and Cash Equivalents - The City considers cash on hand, cash with fiscal agents, demand deposits and bank repurchase agreements as cash and cash equivalents. In addition, each fund's equity in the City's investment pool has been treated as a cash equivalent since cash may be deposited or withdrawn from the pool at any time without prior notice or penalty.
- (J) Investments - Investments are stated at fair value. Income from investments held by the individual funds is recorded in the respective fund as it is earned. All other investments owned by the City are accounted for in the City's investment pool. Income earned from this pool is allocated to the respective funds based upon average monthly balances.
- (K) Inventories - Inventories in the special revenue and capital projects funds are composed of land held for redevelopment or resale and are stated at cost. Inventories of materials and supplies in the general, enterprise and internal service funds are based on year end physical counts priced at weighted average cost. Inventories are recognized as expenditures or expenses when consumed.
- (L) Advances to Other Funds - Long-term interfund advances of the governmental funds are recorded by the advancing fund as a receivable and a reservation of fund balance. Repayments reduce the corresponding receivable and the reserve.
- (M) Fixed Assets - Proprietary and Similar Trust Funds - Property, plant and equipment owned by the proprietary and similar trust funds are stated at cost or estimated historical cost. Contributions of fixed assets received from Federal, state or local sources are recorded as contributions when received and are stated at estimated fair

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market value at the time of acquisition. Depreciation on such externally contributed fixed assets is recorded as a reduction of contributed equity. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Interest is capitalized on projects during the construction period based upon average accumulated project expenditures.

Depreciation of plant and equipment is provided on the straight-line basis over the following estimated useful lives:

Buildings	40-50 years
Improvements	20-50 years
Equipment	3-15 years

- (N) General Fixed Assets - General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost in the general fixed assets account group. In the case of gifts or contributions, such assets are recorded at fair market value at the time received.

Certain improvements, including roads, bridges, curbs and gutters, streets, sidewalks and lighting systems, are not capitalized. Such assets normally are immovable and of value only to the City. No depreciation has been provided on general fixed assets.

- (O) Pension Plans - The City provides separate defined benefit pension plans for general employees and uniformed police and fire department personnel. The City also provides a defined contribution pension plan for general employees not eligible to participate in the defined benefit plan. It is the City's policy to fund the normal cost and amortization of the unfunded prior service cost (see note 13).
- (P) Self-Insurance - The City is self-insured for general liability, automobile liability, workers' compensation and certain death benefits. The operating funds are charged premiums by the City Insurance Internal Service Fund. The accrued liability for estimated claims represents an estimate of the eventual loss on claims arising prior to year end including claims incurred and not yet reported.
- (Q) Employee Compensated Absences and Longevity - City employees are granted sick, vacation and longevity pay in varying amounts based on length of service. Compensatory time is granted to employees in lieu of overtime pay at the employee's request. Sick leave payments to terminated employees are based on length of service. Unused vacation pay and compensatory time are paid upon an employee's termination. Longevity pay is paid to eligible employees annually based on length of service. Expenditures for accumulated compensated absences



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and longevity have been recorded in the governmental funds to the extent that such amounts will be paid from expendable available resources. The remaining portion has been recorded as a liability in the general long-term debt account group. Accumulated compensated absences and longevity are recorded as expenses in the proprietary funds when earned.

- (R) Reserves - Reserves are reported in the various funds to indicate that portion of fund balance/retained earnings legally segregated for specific purposes.
- (S) Landfill Closure Costs - Landfill closure and postclosure care costs represent an estimate of the City's share of total current costs to close and monitor the City's landfill. The landfill is accounted for in the Sanitation Enterprise Fund.
- (T) Proprietary Fund Accounting - In accordance with GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", all proprietary funds will apply all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The City chooses not to follow FASB guidance issued after November 30, 1989 for its proprietary funds.

(2) COMPARISON OF BUDGET TO ACTUAL RESULTS:

As discussed in note 1(G)(5), certain adjustments are necessary to compare actual data on a GAAP versus budget basis. Adjustments necessary to compare the fund balances of the general and special revenue funds at year end follow:

	<u>General</u>	<u>Special Revenue</u>
Combined statement of revenues, expenditures and changes in fund balances - page 6	\$ 9,876,274	14,419,093
Basis of accounting adjustments:		
Encumbrances	(1,551,205)	(16)
Equity adjustments:		
Fund balances of non-budgeted funds		
Law Enforcement Confiscated Property Fund	<u>0</u>	<u>(2,742,848)</u>
Combined statement of revenues, expenditures and changes in fund balances - budget and actual (budget basis) - page 8	\$ <u>8,325,069</u>	<u>11,676,229</u>

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The Planning and Economic Development and Parks and Recreation departments within the General Fund had excesses of actual expenditures over budget for the year of \$46,973 and \$146,222 , respectively.

(3) CASH AND CASH EQUIVALENTS AND INVESTMENTS:

The City maintains a common cash and investment pool for use by all funds. In addition, cash and investments are separately held by the City's special revenue, debt service, capital projects, enterprise and trust funds.

Cash and Cash Equivalents

At September 30, 1997 the carrying amount of the City's deposits was a negative book balance of \$1,453,283 with a bank balance of \$841,168. Of the bank balance, \$220,966 was covered by Federal depository insurance or by collateral held by the City's agent in the City's name and \$620,202 was insured via participation by the bank in the Florida Security for Public Deposits Act. Included in the carrying amount of deposits was \$19,505 cash on hand.

Investments

In the current year, in accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", all investments previously stated at cost have been reported at fair value. This change was applied retroactively for the investments of the nonexpendable and pension trust funds only, resulting in increases in beginning fund balances of \$762,702 and \$67,741,717, respectively. Adjustments to the City's other individual fund and pooled investments were applied as of September 30, 1997 and did not have a material impact on the City's financial statements.

Florida Statutes and City Ordinance authorize City officials to invest pooled funds in United States bonds and obligations, guaranteed United States agency issues, Florida state, county, municipal, school district and other political subdivision general, excise and revenue obligations, the Florida State Investment Pool, the Florida Municipal Investment Trust, Florida bank certificates of deposit, bankers acceptances, repurchase agreements, reverse repurchase agreements and prime commercial paper issues. In addition, the trust funds are authorized to invest in corporate bonds and stocks, money market funds, real estate and mortgages and notes.

The City's investments are categorized by type to give an indication of the level of credit risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name. Category 3 includes

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uninsured and unregistered investments for which the securities are held by the City's counterparty, or by its trust department or agent, but not in the City's name.

Open market securities and mutual funds' fair values were determined using the quoted market values on the exchange in which the securities are traded. The value of the City's investment in the Florida State Investment Pool, which is not Securities and Exchange Commission (SEC) registered but which qualifies as an SEC 2a7-like pool, is the same as the pool's share price. This local government surplus fund investment pool is administered by the Florida State Board of Administration, an agency of the State of Florida, with regulatory oversight exercised by the State. In the case of the Florida Municipal Investment Trust, which is also not SEC registered and which has not fully implemented the requirements of GASB Statement No. 31 as they pertain to adjustment of income by changes in the fair market value of its assets, the number of shares and price per share of the fund are adjusted to account for changes in market value of the underlying assets. The Florida Municipal Investment Trust is a local government investment trust administered by the Florida League of Cities.

At September 30, 1997 the fair value and category of credit risk of the City's investments are as follows:

	Category			Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Treasury Securities	\$ 5,199,054	136,105,644	2,882,552	144,187,250
U.S. Government Agency Securities	0	36,297,807	1,690,488	37,988,295
Certificates of Deposit	1,000,000	0	0	1,000,000
Bank Repurchase Agreements	0	0	10,065,000	10,065,000
Corporate Obligations	0	45,368,885	0	45,368,885
Common Stock	0	<u>343,647,387</u>	<u>2,873,218</u>	<u>346,520,605</u>
	<u>\$ 6,199,054</u>	<u>561,419,723</u>	<u>17,511,258</u>	585,130,035
Money Market Mutual Funds				25,422,333
Florida State Investment Pool				137,686,979
Florida Municipal Investment Trust				10,757,610
Real Estate Investments				2,935,721
Deferred Compensation Plan				44,311,480
Other				<u>456,426</u>
				<u>\$ 806,700,584</u>

As of September 30, 1997 the Florida State Investment Pool contained certain insignificant floating rate notes, which could be classified as "derivative" investments under GASB Technical Bulletin No. 94-1.

Interest receivable on the City's investment pool amounted to \$107,586 at September 30, 1997.

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The City's bank repurchase agreements are collateralized at the bank's holding company trust department with securities pledged to the City having a market value of \$10,273,112 at year end. Due to fluctuating cash flows throughout the year, the City's investment in overnight bank repurchase agreements, for which the underlying securities were held by the bank's holding company trust department, varies significantly. As a result, the amounts that were classified in Category 3 during the year at times were higher than at year end.

(4) PROPERTY TAXES:

The City's property tax is levied, becomes a lien on real and personal property located in the City and is recorded as a receivable on November 1 of each year based upon the assessed value listed as of the prior January 1. Assessed values are established by the Broward County Property Appraiser. The assessed value at January 1, 1996, upon which the 1996-97 levy was based, was approximately \$9.7 billion.

The City is permitted by state law to levy taxes up to 10 mills of assessed valuation for General Fund operations exclusive of voted debt levies. Taxes levied for the General Fund for the 1996-97 fiscal year were 5.2570 mills for operations and 0.4803 for debt service.

All taxes are due from property holders on March 31, become delinquent on April 1 and become subject to the issuance of tax sale certificates on June 1. Current tax collections for the year ended September 30, 1997 were approximately 98.0% of the total tax levy.

(5) INTERFUND RECEIVABLE AND PAYABLE BALANCES:

Individual interfund receivable and payable balances at September 30, 1997 follow:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Special Revenue Funds				
Intergovernmental Revenue	\$ 0	1,117,865	0	0
Capital Projects Funds:				
General Capital Projects	0	0	136,500	0
Enterprise Funds:				
Parking System	1,698,473	0	0	0
Airport	0	0	0	136,500
Stormwater	1,117,865	0	0	0
Trust Funds:				
General Employees' Pension	0	779,529	0	0
Police and Fire Pension	0	918,944	0	0
	<u>\$ 2,816,338</u>	<u>2,816,338</u>	<u>136,500</u>	<u>136,500</u>

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(6) FIXED ASSETS:

The components of fixed assets at September 30, 1997 follow:

	<u>Proprietary Funds</u>			<u>General Fixed Assets Account Group</u>	<u>Total</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Trust Funds</u>		
Land	\$ 15,472,886	0	0	24,806,912	40,279,798
Buildings	167,209,518	708,459	0	73,444,037	241,362,014
Improvements	197,750,662	672,921	0	39,059,636	237,483,219
Equipment	21,557,949	32,298,869	70,075	25,006,332	78,933,225
Work in Progress	<u>16,327,013</u>	<u>0</u>	<u>0</u>	<u>5,606,953</u>	<u>21,933,966</u>
	418,318,028	33,680,249	70,075	167,923,870	619,992,222
Less Accumulated Depreciation	<u>128,544,147</u>	<u>19,023,768</u>	<u>50,828</u>	<u>0</u>	<u>147,618,743</u>
	<u>\$ 289,773,881</u>	<u>14,656,481</u>	<u>19,247</u>	<u>167,923,870</u>	<u>472,373,479</u>

The following tables summarize changes in components of the general fixed assets account group:

	<u>Balance October 1, 1996</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 1997</u>
Land	\$ 23,530,468	1,276,444	0	24,806,912
Buildings	73,444,037	0	0	73,444,037
Improvements	38,427,933	631,703	0	39,059,636
Equipment	22,691,965	2,314,367	0	25,006,332
Work in Progress	<u>1,307,333</u>	<u>6,430,295</u>	<u>2,130,675</u>	<u>5,606,953</u>
	<u>\$ 159,401,736</u>	<u>10,652,809</u>	<u>2,130,675</u>	<u>167,923,870</u>

The sources of general fixed assets acquired follow:

General Fund	\$ 19,181,201
Special Revenue	24,273,646
Capital Projects	106,683,250
Enterprise	286,963
Contributed	1,924,754
Assets acquired prior to October 1, 1974 - sources undetermined	<u>15,574,056</u>
	<u>\$ 167,923,870</u>

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(7) INVESTMENT IN JOINT VENTURE:

The City has entered into agreements with the Performing Arts Center Authority (PACA) and the City of Fort Lauderdale Downtown Development Authority (DDA) for the construction and operation of a 950 space parking garage in the Arts and Science District of the City. The City, as operating agent, has full and exclusive responsibility for operation and maintenance of the garage which is being accounted for as a joint venture in the Parking System Fund using the equity method of accounting.

The City collects all revenues and pays all operating expenses for the garage and determines the allocation to each of the participants monthly. Net income for the year was \$667,698, derived exclusively from operations. The equity interests of the City, the PACA and the DDA totaled \$1,405,377, \$1,614,769 and \$756,752, respectively at September 30, 1997. Separate financial statements for the joint venture are available from the City's Finance Department.

(8) RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City Insurance Internal Service Fund is used to account for and finance both uninsured and insured risks of loss. Coverage is provided for workers' compensation, general liability, auto liability and police professional liability as specified by applicable Federal and state statutes. The City purchases commercial insurance for workers' compensation claims in excess of \$600,000 for general employees and \$750,000 for police officers and firefighters with limits of \$10 million per accident. In addition, property insurance is purchased for City structures with values generally greater than \$100,000 with total limits in force of \$255 million. Settled claims have never exceeded the City's retention and excess coverage in force.

All operating funds of the City participate in the program and make payments to the fund based on estimates of the amounts needed to pay prior and current claims and to provide fund equity for catastrophic losses. The estimated insurance claims payable at September 30, 1997 of \$16,212,733 is based on the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" as amended by GASB Statement No. 30 "Risk Financing Omnibus", which requires that claims liabilities be based upon the estimated ultimate costs of settling the claims, including incremental costs, such as outside legal assistance costs incurred only because of the claims and that the liability include incurred but not reported losses estimated based upon historical experience. Changes in the balance of estimated insurance claims payable for the fiscal years ended September 30, 1996 and 1997 follow:

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	Balance October 1	New Claims and Changes in Estimates	Claim Payments	Balance September 30
Fiscal Year Ending in:				
1996	\$ 14,936,340	5,146,950	4,511,871	15,571,419
1997	15,571,419	5,322,157	4,680,843	16,212,733

(9) LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the City for the fiscal year ended September 30, 1997:

	Enterprise Funds	Internal Service Funds	General Long-Term Debt
Payable at October 1, 1996	\$ 62,345,780	226,454	85,886,907
New Debt Issued:			
Sunshine State Financing Commission Loan	0	0	1,850,000
General Obligation Bonds	0	0	35,000,000
Debt Retired:			
General Obligation Bonds	(505,000)	0	(2,560,000)
Excise Tax Bonds	(905,000)	0	(3,540,000)
Revenue Bonds	(3,235,000)	0	0
Tax Increment Revenue Bonds	0	0	(250,000)
Sunshine State Financing Commission Loans	0	0	(280,000)
Special Assessment Debt with Government Commitment	0	0	(1,090,336)
Promissory Note	0	0	(100,000)
Net Change in Accrued Compensated Absences and Longevity	<u>112,773</u>	<u>51,387</u>	<u>1,423,592</u>
Payable at September 30, 1997	\$ <u>57,813,553</u>	<u>277,841</u>	<u>116,340,163</u>

Bonds, Notes and Loans Payable at September 30, 1997 consists of:

	Enterprise Funds	General Long-Term Debt
General Obligation Bonds	\$ 0	65,750,000
Excise Tax Bonds	9,050,000	18,945,000
Water and Sewer Revenue Bonds	24,800,000	0
Tax Increment Revenue Bonds	0	5,850,000
Sunshine State Financing Commission Loans	0	7,570,000
Promissory Notes	<u>0</u>	<u>42,640</u>
	\$ <u>33,850,000</u>	<u>98,157,640</u>

CITY OF FORT LAUDERDALE, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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Bonds outstanding at September 30, 1997 mature in varying amounts during succeeding fiscal years through 2018. Interest rates are as follows: 4.8% to 6.3% on general obligation bonds, 3.8% to 6.6% on excise tax bonds, 4.4% to 5.7% on water and sewer revenue bonds, 5.0% to 6.2% on tax increment revenue bonds and 6.16% on the promissory note. The Sunshine State Financing Commission Loans are variable rate instruments with the tax exempt loan averaging 3.67% and the taxable loan averaging 5.3%.

The annual requirements to pay principal and interest on the bonds, notes and loans outstanding at September 30, 1997 (in thousands) follow and include estimated amounts for interest on the variable rate Sunshine State Loans:

	<u>Enterprise Funds</u>		<u>General Long-Term Debt</u>					
	Excise Tax Bonds	Water & Sewer Revenue Bonds	General Obligation Bonds	Excise Tax Bonds	Tax Increment Revenue Bonds	Sunshine State Loans	Promissory Note	Special Assessment Debt
Fiscal Year Ending In:								
1998	\$ 1,485	4,431	7,354	3,769	604	378	117	456
1999	1,452	4,221	7,247	2,337	601	394	0	0
2000	1,453	4,006	7,044	2,342	602	410	0	0
2001	1,438	3,897	7,057	2,346	602	425	0	0
2002	1,433	2,189	7,054	2,349	605	446	0	0
2003-2007	4,219	10,939	34,389	11,250	3,017	2,530	0	0
2008-2012	0	2,188	14,460	0	3,020	2,557	0	0
2013-2017	0	0	14,546	0	0	652	0	0
2018	0	0	0	0	0	158	0	0
	\$ <u>11,480</u>	<u>31,871</u>	<u>99,151</u>	<u>24,393</u>	<u>9,051</u>	<u>7,950</u>	<u>117</u>	<u>456</u>

Water and Sewer Revenue Bonds are secured by a pledge of the net revenues of the City's water and sewer system. General Obligation Bonds are secured by the full faith and credit of the City. The Excise Tax Bonds are secured by a pledge of certain utility service, cigarette and franchise taxes. In addition, the City of Pompano Beach, Florida has contractually agreed to pay 39% of the debt service costs on the \$9.2 million Excise Tax Improvement Bonds, Series 1992 which were used to fund an 800 MHz public safety communications system for both cities. Tax Increment Revenue Bonds are secured by a pledge of the net revenues of the City's parking system. The Sunshine State Financing Commission Loans are secured by a pledge of non-ad valorem tax revenues and a covenant to budget and appropriate.

The Special Assessment Debt was a loan made from pooled investments for a beautification project and is being repaid from assessments to benefiting property owners. During construction the interest rate on the loan was 6.0% and was increased to 6.35% at the time of final assessment on the properties in the current year. The City's commitment to the debt is limited to the loan made from pooled investments.



NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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The bond resolutions of the various Excise Tax Improvement and Revenue Bond issues require that sufficient funds be available to meet the largest debt service requirement in any ensuing fiscal year. The City maintains a municipal bond debt service reserve fund insurance policy to satisfy this requirement for its outstanding Excise Tax Improvement Bonds, thereby eliminating the need to set aside funds for this purpose. At September 30, 1997 funds available met debt service requirements for Revenue Bonds.

The City has refinanced various bond issues through the issuance of refunding bond issues. The proceeds from the refunding issues have been deposited in irrevocable trusts at commercial banks and invested in U.S. Government securities, which together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest on the issues refunded. The assets, liabilities, and financial transactions of these trust accounts are not reflected in the financial statements of the City. At September 30, 1997 defeased debt outstanding totaled \$14,100,000 in Water and Sewer Revenue Bonds, Series 1978.

On March 5, 1997 the City entered into a 21 year loan agreement with the Sunshine State Government Financing Commission (SSGFC) for \$1,850,000, the proceeds of which were used to construct a post office in the City's CRA. The variable rate loan provides for monthly interest and annual principal payments with a final maturity on March 1, 2018. The loan will be repaid from monthly lease income from the facility pursuant to a 30 year lease agreement with the U.S. Postal Service. The SSGFC was created by interlocal agreement among several Florida governmental entities to provide low cost loans to local governments maintaining debt ratings of A or better. The SSGFC issues tax exempt Commercial Paper, the proceeds of which are loaned to qualifying governments. The Commercial Paper is remarketed as it matures and the debt is serviced by monthly principal and interest payments from the participating governments.

On May 15, 1997 the City issued \$35,000,000 in General Obligation Bonds to pay for improvements to parks and recreation facilities within the City. The serial bonds have semi-annual principal and interest payments with a final maturity date of July 1, 2017. Interest rates on the bonds range from 4.8% to 5.5%.

(10) ESTIMATED LANDFILL CLOSURE COSTS:

The Wingate landfill and incinerator was an active disposal site from 1954 to 1978. This landfill has been designated by the Environmental Protection Agency (EPA) as a superfund site requiring the City to take remedial action. Based on the results of a Remedial Investigation and Feasibility Study, the EPA recommended a single layer cap in 1995 at an estimated cost of \$20,500,000 to remediate this site. Due to questions raised by citizens, the EPA reviewed the remediation methodology and, in October 1997, reaffirmed the single layer cap and suggested several modifications to the methodology. The modifications will not materially impact the estimated cost previously recorded as a liability in the Sanitation Enterprise Fund. The liability

CITY OF FORT LAUDERDALE, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 1997

is composed of administrative, legal, remedial design, remedial construction, regulatory and related future postclosure costs.

During the past year, the City met with 37 identified potential responsible parties to allocate the applicable cost of the remediation. A tentative settlement between the parties has been reached that would limit the City's net liability. The receivable from these parties should be finalized during the next fiscal year. It is anticipated that postclosure costs will be financed with revenue bonds.

(11) CONTRIBUTIONS:

The enterprise and internal service funds receive permanent contributions of capital from certain government agencies and other sources. Most of these contributions are restricted by the contributing government agency to the acquisition or construction of capital facilities. The additions and major sources of contributions are as follows:

	<u>Water and Sewer</u>	<u>Other Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Contributions at October 1, 1996	\$ 102,752,113	10,599,750	12,352,373	125,704,236
Additions (Deletions):				
Federal Government	0	1,300,887	0	1,300,887
State of Florida	0	98,224	0	98,224
Other Funds (Net)	0	325,000	1,529,334	1,854,334
Developers	538,326	0	0	538,326
Other	87,463	0	0	87,463
Current Year Depreciation	<u>(2,120,232)</u>	<u>(408,995)</u>	<u>(25,862)</u>	<u>(2,555,089)</u>
Contributions at September 30, 1997	\$ <u>101,257,670</u>	<u>11,914,866</u>	<u>13,855,845</u>	<u>127,028,381</u>

(12) RETAINED EARNINGS/FUND BALANCES:

Reserves have been established in the various funds to comply with generally accepted accounting principles or covenants contained in the bond resolutions of the revenue bond issues. In addition, portions of the unreserved fund balances have been designated for subsequent years' expenditures.

At September 30, 1997 the components of Retained Earnings/Fund Balances consist of the following:

CITY OF FORT LAUDERDALE, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Retained Earnings:			
Reserved for			
Revenue Bond Retirement	\$ 3,753,907	0	3,753,907
Replacement and Improvement	6,878,744	0	6,878,744
Regional Capital Improvements	8,784,543	0	8,784,543
Unreserved	<u>207,192,445</u>	<u>7,226,276</u>	<u>213,018,721</u>
	<u>\$ 226,609,639</u>	<u>7,226,276</u>	<u>232,435,915</u>

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Trust and Agency</u>	<u>Total</u>
Fund Balances:						
Reserved for						
Encumbrances	\$ 1,551,205	33,197	0	7,249,482	0	8,833,884
Inventories	185,468	10,379,283	0	6,750	0	10,571,501
Advances to Other Funds	0	0	0	136,500	0	136,500
Employees' Pension Benefits	0	0	0	0	553,101,943	553,101,943
Endowments	0	0	0	0	10,685,175	10,685,175
Debt Service	0	40,083	489,176	0	0	529,259
Unreserved						
Designated for Subsequent Years' Expenditures	6,692,566	1,217,387	0	41,996,097	0	49,906,050
Undesignated	<u>1,447,035</u>	<u>2,749,143</u>	<u>0</u>	<u>5,122,419</u>	<u>0</u>	<u>9,318,597</u>
	<u>\$ 9,876,274</u>	<u>14,419,093</u>	<u>489,176</u>	<u>54,511,248</u>	<u>563,787,118</u>	<u>643,082,909</u>

At September 30, 1997 the following funds had deficit balances in retained earnings that were either fully or partially offset by accumulated contributions:

	<u>Retained Earnings</u>	<u>Contributions</u>	<u>Fund Equity</u>
Sanitation Fund	\$ (16,889,071)	1,475,493	(15,413,578)
City Insurance Fund	(1,007,808)	802,315	(205,493)
Central Services Fund	(582,167)	7,066,906	6,484,739

The Sanitation Fund deficit resulted from its estimated landfill closure liability of \$20,500,000 which is further described in note 10. The deficit in the City Insurance Fund is being made up through increased premiums charged to the operating funds. The deficit in the Central Services Fund resulted solely from the annual depreciation of over \$6 million in contributed fixed assets.

CITY OF FORT LAUDERDALE, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 1997

(13) EMPLOYEE RETIREMENT SYSTEMS:

The City adopted the provisions of GASB Statements No. 25 "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 27 "Accounting for Pensions by State and Local Governmental Employers". The objective of these statements is to enhance the understandability and usefulness of pension information included in the financial statements of state and local governmental employers.

Defined Benefit Plans - Plan Descriptions and Funding Policies

General Employees Retirement System

The General Employees Retirement System is a single-employer defined benefit plan administered by an eight member board of trustees which covers all City employees except police and firefighters. The City's payroll for employees covered by the plan applicable to the September 30, 1996 actuarial valuation was approximately \$43,161,000. The total City payroll at that time was approximately \$89,370,000. As of the valuation date, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	920
Terminated employees entitled to benefits but not yet receiving them	18
Fully, partially and non-vested active plan participants	1,272

Under the vesting provisions of the plan, most employees are entitled to a percentage, ranging from 40% for 8 years of service to 100% for 10 years of service, of normal retirement benefits beginning at age 58. Certain employees hired on or after October 1, 1983 electing reduced benefits are entitled to 100% of normal retirement benefits after 10 years of service beginning at age 65. Members who terminate prior to vesting are entitled to a refund of employee contributions plus interest at 3% per year. These benefit provisions and all other requirements are established by City ordinance.

Employees contribute from 4% to 6% of their earnings to the plan. The City is required to contribute the remaining amounts necessary to fund the plan, based on an amount determined by the plan's actuaries as of September 30 each year. For the current year the City's contribution rate as a percentage of annual covered payroll was 14%.

Police and Firefighters Retirement System

The Police and Firefighters Retirement System is a single-employer defined benefit plan administered by an eight member board of trustees which covers all police and firefighters.

# CITY OF FORT LAUDERDALE, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS SEPTEMBER 30, 1997

The City's payroll for employees covered by the plan applicable to the December 31, 1996 actuarial valuation was approximately \$35,027,000. The total City payroll at that time was approximately \$90,692,000. As of the valuation date, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	482
Terminated employees entitled to benefits but not yet receiving them	23
Fully, partially and non-vested active plan participants	724

Under the vesting provisions of the plan, employees are entitled to 100% of normal retirement benefits after 10 years of service beginning at age 47 or 50. Members who terminate prior to vesting are entitled to a refund of employee contributions plus interest at 3% per year. These benefit provisions and all other requirements are established by City ordinance.

Employees contribute from 6% to 7% of their earnings to the plan. In addition, contributions are received from the State of Florida. The City is required to contribute the remaining amounts necessary to fund the plan, based on an amount determined by the plan's actuaries as of December 31 each year. For the current year the City and State of Florida contribution rates as percentages of annual covered payroll were 21.5% and 7.2%, respectively.

### Annual Pension Cost and Actuarial Methods and Assumptions

Annual Pension Cost (APC) is a measure of the periodic cost of an employer's participation in a defined benefit pension plan. For the last three fiscal years, the APC for the General Employees and Police and Firefighters plans follow:

Fiscal Year Ended In:	<u>General Employees</u>		<u>Police and Firefighters</u>	
	<u>Amount</u>	<u>Percent Contributed</u>	<u>Amount</u>	<u>Percent Contributed</u>
1995	\$ 6,253,916	100%	\$ 6,534,875	100%
1996	5,091,855	100	8,008,653	100
1997	6,022,556	100	7,092,440	100

Since the City contributed 100% of the APC in each of the years indicated, there was no net pension obligation at the end of any year for either plan.

Actuarial methods and significant actuarial assumptions used to determine the annual required contributions for the current year follow:

# CITY OF FORT LAUDERDALE, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS SEPTEMBER 30, 1997

	<u>General Employees</u>	<u>Police and Firefighters</u>
Valuation Date	September 30, 1996	December 31, 1995
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	16-30 Years	6-30 Years
Asset Valuation Method	Three year smoothed market	Investment earnings greater than assumed rate over 4 year
Actuarial Assumptions:		
Investment Rate of Return	7% Including 4% Inflation	8% Including 4.5% Inflation
Projected Salary Increases	4.5% - 6.9%	5.2% - 8.2%
Cost-of-Living Adjustments (COLA)	Ad Hoc COLA's are granted with City Commission approval if investment earnings exceeded the funding assumptions in the prior year.	A COLA, limited to the change in the CPI, is granted each year to the extent it can be funded by the net experience gains during the prior year.

Six year historical trend information is presented in supplementary schedules following these notes (see page 44). In addition, both the General Employees and Police and Firefighters Retirement Systems issue separate financial statements. The Police and Fire plan statements are issued annually and the General Employees plan statements are issued biennially.

### Defined Contribution Plans

#### General Employees Special Class Plan

The General Employees Special Class Plan is a single-employer defined contribution plan administered by the City which covers all classified City employees (except police and firefighters) who are not eligible to participate in the General Employees Retirement System. The City's current year payroll for employees covered by the plan was approximately \$658,000. The total City payroll for the year was approximately \$95,848,000.

The City contribution requirement of 9% on earnings of participants was paid on a biweekly basis and amounted to \$59,245 for the current year. Employee contributions are neither required or permitted under the plan.

Employees become fully vested in the plan upon entry. These benefit provisions and all other requirements are established by City ordinance.

#### City Manager Retirement Plan

The City Manager Retirement Plan is a single-employer defined contribution plan administered by the City. The City Manager is the only eligible participant in the plan.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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The City is required to contribute 21.47% on earnings of the City Manager in June of each year. This contribution requirement was met and amounted to \$25,763 on earnings of \$119,995. The total City payroll for the year was approximately \$95,848,000. Contributions by the City Manager are neither required or permitted under the plan.

The plan provides for 100% vesting in the plan upon entry. These benefit provisions and all other requirements are established by City ordinance.

(14) OTHER POSTEMPLOYMENT BENEFITS:

The City provides a postemployment health insurance benefit for its sworn police officers. Under the agreement police officers are paid from \$100 to \$300 per month upon normal retirement for the purchase of health insurance. The benefit continues until age 65 and is funded on a pay-as-you-go basis by the General Fund. As of September 30, 1997 there were 74 retired police officers receiving the benefit with an additional 469 officers eligible for participation in the future. Monthly payments totaled \$134,200 for the year.

(15) DEFERRED COMPENSATION PLAN:

The City offers a deferred compensation plan to its employees in addition to the pension plans. Participation is optional. All amounts of compensation deferred, all property or rights to property purchased with amounts deferred, and any income earned on property purchased with amounts deferred remain assets of the City subject to the claims of its general creditors until withdrawn by the employee participant. Although the City has no liability for losses under the plan, it does have the duty of due care that would be required of an ordinary prudent investor.

The City will be adopting the provisions of IRS code Section 457(g) and GASB Statement No. 32 "Accounting and Financial Reporting for IRS Code Section 457 Deferred Compensation Plans" in fiscal year 1997-98. Under these new provisions, all assets and income of the plan will be held in trust for the exclusive benefit of participants and their beneficiaries and the plan will be reported as an expendable trust fund.

(16) OTHER INCOME:

The components of other income on the combined statement of revenues, expenditures and changes in fund balances - all governmental fund types follow:

CITY OF FORT LAUDERDALE, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Interfund Service Charges	\$ 11,200,074	4,578	0	0	11,204,652
Assessments and Impact Fees	0	127,500	0	1,101,293	1,228,793
Interest	1,046,244	409,591	148,552	2,068,838	3,673,225
Rents and Concessions	1,744,882	0	0	0	1,744,882
Sale of Property	13,120	0	0	0	13,120
Contributions and Donations	0	0	0	75,577	75,577
Miscellaneous	<u>346,933</u>	<u>170,783</u>	<u>0</u>	<u>0</u>	<u>517,716</u>
	<u>\$ 14,351,253</u>	<u>712,452</u>	<u>148,552</u>	<u>3,245,708</u>	<u>18,457,965</u>

(17) EQUITY TRANSFERS:

Transfers of equity between funds are recorded as equity transfers in the governmental funds and as equity transfers or as additions to and deletions of contributions in the enterprise and internal service funds. A summary of these transactions for the year ended September 30, 1997 follows:

	<u>Equity Transfers In</u>	<u>Equity Transfers Out</u>	<u>Additions To Contributions</u>	<u>Total</u>
Governmental Funds	\$ 13,515	(1,208,831)	0	(1,195,316)
Enterprise Funds	0	(659,018)	325,000	(334,018)
Internal Service Funds	<u>0</u>	<u>0</u>	<u>1,529,334</u>	<u>1,529,334</u>
	<u>\$ 13,515</u>	<u>(1,867,849)</u>	<u>1,854,334</u>	<u>0</u>

(18) OPERATING LEASES:

On September 1, 1962 the City entered into a lease agreement with Bahia Mar Yachting Center, Inc. (Bahia Mar) for the purpose of constructing and operating a restaurant, lounge, yacht club, motel/hotel, convention hall, marine facilities and other similar businesses. The cost of the property at the inception of the lease was \$552,000. On June 30, 1994 this lease was assumed by RAHN Bahia Mar, LTD. and, as amended, will terminate on August 31, 2062, at which time, all additions to the property originally leased to Bahia Mar will revert to the City.

The lease agreement provides for a minimum guaranteed annual rental of \$300,000 per year. In addition, the City receives contingent rentals (\$308,078 in 1997) based upon escalating percentages of gross receipts for the duration of the agreement.

The City has various aviation leases and nonaviation land leases which are accounted for as operating leases in the Airport Fund. Minimum future rentals on these leases as of September 30, 1997 follow:



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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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	<u>Aviation Leases</u>	<u>Land Leases</u>	<u>Total</u>
Fiscal Year Ending in:			
1998	\$ 659,506	1,763,035	2,422,541
1999	659,506	1,763,035	2,422,541
2000	659,506	1,763,035	2,422,541
2001	659,506	1,763,035	2,422,541
2002	659,506	1,763,035	2,422,541
Later Years	<u>11,104,660</u>	<u>54,897,332</u>	<u>66,001,992</u>
	<u>\$ 14,402,190</u>	<u>63,712,507</u>	<u>78,114,697</u>

Contingent rentals on these leases amounted to \$809,922 in the current year.

(19) SEGMENTS OF ENTERPRISE ACTIVITIES:

Various services provided by the City are financed by user charges including water and sewer, sanitation, parking, airport and stormwater. The key financial information (in thousands) for the year ended September 30, 1997 for these services follow:

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Parking System</u>	<u>Airport</u>	<u>Stormwater</u>	<u>Total</u>
Operating Revenues	\$ 54,416	17,081	6,772	3,427	3,060	84,756
Depreciation	7,000	260	715	646	34	8,655
Discount Amortization	38	0	63	0	0	101
Operating Income	9,485	1,152	2,175	160	1,356	14,328
Operating Transfers In	0	10	164	0	656	830
Operating Transfers Out	2,599	0	756	49	0	3,404
Net Income	10,539	1,354	1,440	819	2,477	16,629
Capital Contributions	626	0	325	1,399	0	2,350
Fixed Asset Additions	13,921	156	534	848	1,425	16,884
Net Working Capital	43,081	4,147	8,490	9,102	8,253	73,073
Total Assets	335,272	6,481	32,505	19,889	10,713	404,860
Long-Term Bonds	24,800	0	9,050	0	0	33,850
Other Long-Term Liabilities	0	20,500	0	0	0	20,500
Total Equity	302,675	(15,414)	23,353	19,330	9,838	339,782

(20) COMMITMENTS AND CONTINGENT LIABILITIES:

The City has outstanding commitments for construction and acquisition of property, plant and equipment in the various enterprise funds. The following is a summary of the more significant of these commitments at September 30, 1997:

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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<u>Water and Sewer Fund</u>	
Injection Well Program	\$ 490,425
Collection and Distribution Systems	5,327,688
Water Treatment Plant Improvements	696,958
Other	<u>1,266,772</u>
	<u>7,781,843</u>
<u>Airport Fund</u>	
Airfield Improvements	98,760
Downtown Heliport	<u>2,303,417</u>
	<u>2,402,177</u>
<u>Stormwater Fund</u>	
Storm Drainage	<u>469,474</u>
	<u>\$ 10,653,494</u>

In connection with the issuance by the Performing Arts Center Authority (PACA) of a \$9,885,000 revenue bond issue needed to complete construction of the center, the City has made a pledge of the net revenue of the parking system in an amount not to exceed \$500,000 annually should certain PACA revenues be insufficient to pay the debt service on the bonds. At September 30, 1997 the remaining principal outstanding on this issue was \$7,560,000.

On August 9, 1990 the City's wastewater biosolids compost plant was voluntarily taken out of service due to mechanical and odor control system problems. To address the disposal of the wastewater solids generated at the City's regional wastewater treatment plant, the City determined, from both an economic and regulatory standpoint, that the most viable solution was land application of the solids. The cost of the existing plant, which currently has a book value of \$22.9 million, was partially reimbursed by \$15.8 million in Environmental Protection Agency (EPA) grant funds. The City is currently negotiating with the EPA to permanently close the facility. If an agreement is reached, the plant will be disposed of and any reimbursement to the EPA would be limited to proceeds received from the disposal.

The City participates in a number of state and Federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. As provided by terms of their grant, the EPA conducted an interim audit of the compost plant project in 1994 and requested reimbursement of \$1 million at that time. The City has vigorously disputed the EPA's findings and the situation remains unchanged at this time. No liability has been recognized in the Water and Sewer Fund for this contingency as it is management's belief that the final resolution will not have a material impact on the City's financial statements.

The EPA has conducted a remedial investigation at the City's Peele Dixie wellfield site to determine the source of ground water contamination. Primary sources for the contamination have been tentatively determined by the EPA to be a former waste oil reclamation facility and a

CITY OF FORT LAUDERDALE, FLORIDA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 1997

site currently owned by the State of Florida. Based upon this information, the City firmly believes that it will not incur additional expenses toward the remediation of the contaminated wellfield site.

Various substantial lawsuits have been filed against the City including personal injury claims, liability claims related to police activities and general liability claims. The estimated liabilities related to the various claims have been accrued in the City Insurance Internal Service Fund. In the opinion of City management, the expected liability for these claims would not materially exceed the amounts recorded in the financial statements.